

Service Date: December 12, 1995

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER of the MONTANA)	UTILITY DIVISION
POWER COMPANY=S Request for)	
an Accounting Order to Accrue)	DOCKET NO. 95.3.6
and Defer Costs Resulting from a)	
Workforce Reduction.)	ORDER NO. 5835b

Accounting Order

1. On March 28, 1995, the Commission issued Order No. 5835 in this Docket. That order granted the Montana Power Company (MPC) authority to defer up to \$2.1 million of workforce reduction costs for a period not to exceed two years from March 28, 1995. That order stated:

As other areas of the Company are studied, MPC may identify additional costs associated with further workforce reductions, if that is the case, MPC may request additional Accounting Orders in this Docket.

2. On July 5, 1995, the Commission issued Order No. 5835a in this Docket. That order granted MPC authority to defer up to \$4,389,344 of workforce reduction costs and benefits for a period not to exceed two years from July 5, 1995.

3. On November 16, 1995, MPC filed a letter with the Public Service Commission (PSC or Commission) which indicated that MPC had raised its estimate of costs associated with the workforce reduction from \$4,389,344 million to \$8,519,715. The additional expenses are related to estimates for costs in 1996 and 1997 as well as \$387,500 of relocation costs.

4. MPC will incur costs and benefits primarily for employee reductions in the Colstrip, Utility Services, Generation and Transmission, Accounting Finance and Information Services, Administration & Regulatory Affairs, Office of the Corporation and Gas Supply & Transportation areas. MPC requests that the Commission allow MPC to

accumulate and defer these costs to provide a better match between costs and benefits.

5. MPC understands that if the Commission issues the requested Accounting Order, MPC has the full burden of proof to demonstrate that such costs and benefits are properly included in the revenue requirement determination in subsequent rate proceedings.

6. MPC recommended that this Accounting Order be amended to order MPC to accrue in 1995 a contra to the regulatory asset which is equal to the salary savings plus associated fringe benefits that occurred during 1995 as a result of employees who terminated and received severance payments in 1995. To the extent that it is consistent with Order Paragraph #1, the Commission finds MPC's request to be acceptable. This authority is in lieu of and not in addition to the authority granted MPC in Order No. 5835a. In approving this Accounting Order, the Commission does so with the understanding that the benefits of the workforce reduction will exceed the costs in each MPC rate filing which considers this issue.

7. In addition to producing labor savings, workforce reductions can have adverse effects on customer service. The Commission expects the management of MPC to ensure that customer service is not adversely affected by this workforce reduction.

8. This Accounting Order is to be effective for a period not to exceed two years. Should MPC desire to continue the deferral beyond the two year period, resubmission of the request and an explanation of why further deferral consideration should be granted will be necessary.

9. Approval of this Accounting Order is for accounting purposes only. This Order is not to be construed as, nor is it in any way, a directive as to the proper accounting treatment for workforce reduction costs or benefits, or an approval of either the actual numbers involved, the accounting method used, or the assumptions underlying those numbers. Most importantly, this Order does not imply or direct in any fashion that workforce reduction costs and benefits deferred pursuant to this Order will be at any time reflected in rates.

Conclusions of Law

1. The Montana Power Company is a public utility furnishing electric and natural gas service to consumers in the State of Montana,

subject to the supervision, regulation and control of this Commission.
Title 69, Chapter 3, MCA, § 69-3-102, MCA.

Order

1. The Commission authorizes Accounting Deferral for costs and benefits resulting from a workforce reduction. Up to \$8,519,715 of workforce reduction costs may be accumulated for a period not to exceed two years from the date of this Order. This amount is expected by the Commission to be more than offset by corresponding deferred and current period benefits so that when rate treatment is requested, an annual net revenue requirement reduction will result.

2. This Order is effective on issuance.

DONE AND DATED at Helena, Montana, this 11th day of December, 1995, by a 5 to 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

NANCY McCAFFREE, Chair

DAVE FISHER, Vice Chair

BOB ANDERSON, Commissioner

DANNY OBERG, Commissioner

BOB ROWE, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: Any interested party may request that the Commission reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.